



uMfolozi Municipality
Annual financial statements
for the year ended 30 June 2016

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	Municipality
Executive Committee	.
Mayor	SW Mgenge ME Ntshangase BT Mnqayi FPB Mpungose FM Thusi SK Ngema
Grading of local authority	1
Accounting Officer	KE Gamede
Chief Financial Officer	JV Nkosi
Registered office	25 Bredelia Street Kwa-Mbonambi 3915
Postal address	P.O Box 96 Kwa-Mbonambi 3915
Bankers	ABSA Bank
Auditors	Auditor General South Africa
Telephone	(035) 580-1421
Fax Number	(035) 580-1141
E-mail Address (Accounting Officer)	gamedeke@mbonambi.co.za

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Index

The reports and statements set out below comprise the annual financial statements presented to the Council:

Index	Page
Accounting Officer's Responsibilities and Approval	3
Report of the Auditor General	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Statement of Cash Flows	8
Statement of Comparison of Budgets and Actual Amount	9 - 11
Accounting Policies	12 - 25
Notes to the Annual Financial Statements	26 - 43
Appendixes: Unaudited Supplementary Schedules	
Appendix B: Analysis of Property, Plant and Equipment	44
Appendix D: Segmental Statement of Financial Performance	50

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 43, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:



KE Gamede
Municipal Manager



Report of the Auditor General

To the Council of uMfolozi Local Municipality

Report on the financial statements

I have audited the accompanying annual financial statements of the uMfolozi Municipality which comprise the statement of financial position as at 30 June 2016, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 5 to 43.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Receivables from Non-Exchange Transactions	4	10 802 592	8 202 673
Receivables from non-exchange transactions	6	80 579	92 211
VAT receivable	7	3 099 196	3 956 920
Cash and cash equivalents	8	210 604	3 188 448
		14 192 971	15 440 252
Non-Current Assets			
Property, plant and equipment	2	183 948 794	140 957 142
Intangible assets	3	11 577	44 170
		183 960 371	141 001 312
Total Assets		198 153 342	156 441 564
Liabilities			
Current Liabilities			
Finance lease obligation	10	1 278 980	1 702 219
Payables from exchange transactions	12&13	25 163 685	18 929 593
Unspent conditional grants and receipts	11	5 564 291	4 765 287
		32 006 956	25 397 099
Non-Current Liabilities			
Finance lease obligation	10	2 979 386	3 360 993
Total Liabilities		34 986 342	28 758 092
Net Assets		163 167 000	127 683 472
Accumulated surplus		163 167 000	127 683 472

* See Note

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Revenue from exchange transactions			
Service charges	15	312 222	278 715
Rental of facilities and equipment		141 714	111 175
Licences and permits		294 490	725 789
Miscellaneous income		357 505	534 680
Sale of tender documents		168 850	212 652
Interest received	21	1 862 232	1 559 564
Total revenue from exchange transactions		3 137 013	3 422 575
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	14	6 857 475	6 490 400
Transfer revenue			
Government Grants	16	141 600 993	122 591 586
Fines		4 153 664	10 050 097
Total revenue from non-exchange transactions		152 612 132	139 132 083
Total revenue		155 749 145	142 554 658
Expenditure			
Employee related costs	18	(27 306 911)	(23 467 008)
Remuneration of councillors	19	(8 438 896)	(7 919 293)
Depreciation and amortisation	22	(6 323 762)	(4 591 945)
Impairment loss/ Reversal of impairments	23	(9 469)	(40 185)
Finance costs	24	(332 461)	(309 603)
Provision for Bad debts movements	20	(3 761 888)	(9 495 363)
Repairs and maintenance	27	(4 436 035)	(1 190 360)
Contracted services	26	(3 442 572)	(2 178 153)
Grants expenditures		(11 565 399)	(5 809 770)
General Expenses	17	(54 648 224)	(41 409 111)
Total expenditure		(120 265 617)	(96 410 791)
Operating surplus		35 483 528	46 143 867
Loss on disposal of assets		-	(56 245)
Surplus for the year		35 483 528	46 087 622

* See Note

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2014	81 595 850	81 595 850
Changes in net assets		
Surplus for the year	46 087 622	46 087 622
Total changes	46 087 622	46 087 622
Balance at 01 July 2015	127 683 472	127 683 472
Changes in net assets		
Surplus for the year	35 483 528	35 483 528
Total changes	35 483 528	35 483 528
Balance at 30 June 2016	163 167 000	163 167 000

* See Note

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Cash Flows

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 389 339	4 785 676
Grants		141 939 000	117 422 003
Interest income		1 862 232	1 559 564
Other receipts		483 903	1 059 302
		145 674 474	124 826 545
Payments			
Employee costs		(35 749 677)	(31 194 882)
Suppliers		(62 473 045)	(42 714 829)
Finance costs		(20 302)	(9 970)
		(98 243 024)	(73 919 681)
Net cash flows from operating activities	28	47 431 450	50 906 864
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(48 470 546)	(46 456 938)
Increase in Finance Leases	2	(821 744)	(3 755 884)
Proceeds from sale of Asset		-	144 737
Net cash flows from investing activities		(49 292 290)	(50 068 085)
Cash flows from financing activities			
Finance lease payments		(1 117 004)	2 193 765
Net increase/(decrease) in cash and cash equivalents		(2 977 844)	3 032 544
Cash and cash equivalents at the beginning of the year		3 188 448	155 904
Cash and cash equivalents at the end of the year	8	210 604	3 188 448

* See Note

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budgets and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments (i.t.o. council approved policy)	Shifting of funds (i.t.o. MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016										
Financial Performance										
Property rates	5 367 840	-	5 367 840	-	5 367 840	6 857 475		1 489 635	128 %	128 %
Service charges	313 376	-	313 376	-	313 376	312 222		(1 154)	100 %	100 %
Investment revenue	463 400	-	463 400	-	463 400	1 862 232		1 398 832	402 %	402 %
Transfers recognised - operational	98 420 000	-	98 420 000	-	98 420 000	110 228 608		11 808 608	112 %	112 %
Other own revenue	27 053 384	(17 000 000)	10 053 384	-	10 053 384	5 116 223		(4 937 161)	51 %	19 %
Total revenue (excluding capital transfers and contributions)	131 618 000	(17 000 000)	114 618 000	-	114 618 000	124 376 760		9 758 760	109 %	94 %
Employee costs	(31 595 912)	2 134 677	(29 461 235)	-	(29 461 235)	(27 306 911)		2 154 324	93 %	86 %
Remuneration of councillors	(7 771 623)	(67 026)	(7 838 649)	-	(7 838 649)	(8 438 896)		(600 247)	108 %	109 %
Debt impairment	-	-	-	-	-	(3 761 888)		(3 761 888)	- %	- %
Depreciation and asset impairment	-	-	-	-	-	(6 333 231)		(6 333 231)	DIV/0 %	DIV/0 %
Finance charges	-	-	-	-	-	(332 461)		(332 461)	- %	- %
Transfers and grants	(450 000)	(225 000)	(675 000)	-	(675 000)	(11 565 399)		(10 890 399)	1 713 %	2 570 %
Other expenditure	(61 925 145)	(1 842 971)	(63 768 116)	-	(63 768 116)	(62 526 831)		1 241 285	98 %	101 %
Total expenditure	(101 742 680)	(320)	(101 743 000)	-	(101 743 000)	(120 265 617)		(18 522 617)	118 %	118 %
Surplus/(Deficit)	29 875 320	(17 000 320)	12 875 000	-	12 875 000	4 111 143		(8 763 857)	32 %	14 %

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s31 of the MFMA)	Final adjustments and budget (i.t.o. s28 and budget s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	33 382 000	6 155 000	39 537 000	-	-	39 537 000	31 372 385		(8 164 615)	79 %	94 %
Surplus (Deficit) after capital transfers and contributions	63 257 320	(10 845 320)	52 412 000	-	-	52 412 000	35 483 528		(16 928 472)	68 %	56 %
Surplus/(Deficit) for the year	63 257 320	(10 845 320)	52 412 000	-	-	52 412 000	35 483 528		(16 928 472)	68 %	56 %

Capital expenditure and funds sources

Total capital expenditure	63 257 320	(10 845 320)	52 412 000	-	-	52 412 000	104 407 458		51 995 458	199 %	165 %
---------------------------	------------	--------------	------------	---	---	------------	-------------	--	------------	-------	-------

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	28 700 000	53 794 000	82 494 000	-		82 494 000	47 431 450		(35 062 550)	57 %	165 %
Net cash from (used) investing	(44 082 000)	(2 175 000)	(46 257 000)	-		(46 257 000)	(49 292 290)		(3 035 290)	- %	- %
Net cash from (used) financing	17 000 000	-	17 000 000	-		17 000 000	(1 117 004)		(18 117 004)	- %	- %
Net increase/(decrease) in cash and cash equivalents	1 618 000	51 619 000	53 237 000	-		53 237 000	(2 977 844)		(56 214 844)	(6)%	(184)%
Cash and cash equivalents at the beginning of the year	156 000	3 032 000	3 188 000	-		3 188 000	3 188 448		448	- %	2 044 %
Cash and cash equivalents at year end	1 774 000	54 651 000	56 425 000	-		56 425 000	210 604		56 214 396	- %	12 %

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosure been based on South African Statements of General Accepted Accounting Practices (SA GAAP) including any interpretation of such Statements issued by the Accounting Practise Board.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Grap Standards Summary

Applicable Standards

GRAP 1	- Presentation of Financial Statement
GRAP 2	- Cash Flow Statement
GRAP 3	- Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 5	- Borrowing Costs
GRAP 9	- Revenue from Exchange Transactions
GRAP 13	- Leases
GRAP 14	- Events After the Reporting Date
GRAP 16	- Investment Properties
GRAP 17	- Property, Plant and Equipment
GRAP 19	- Provisions, Contingent Liabilities and Contingent Assets
GRAP 23	- Revenue from Non-exchange Transactions
GRAP 24	- Presentation of Budget Information in Financial Statements
GRAP 25	- Employee Benefits
GRAP 31	- Intangible Assets
GRAP 100	- Non-current Assets Held for Sale and Discontinued Operations
GRAP 104	- Financial Instruments
IGRAP 1	- Traffic fines

New Standards, Amendments and Interpretations to GRAP Standards Approved But Not yet Effective:

GRAP 32	Service Concession Arrangement : Grantor	Unknown
GRAP 108	Statutory Receivables	Effective date not approved
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset.	Effective date not approved
GRAP 20	Related party disclosures	Effective date not approved
GRAP 109	Accounting by principals and agents	Effective date not approved

1.3 Going Concern Assumption

Basis

These Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance. Additional text

Provision for doubtful debts is calculated by categorising the outstanding into three:

Category A are government properties and those who owe less than 30 days. No provision is made for them.

Category B are those who are irregular payers, and the debts are more than 60 days. The provision is made at 25%

Category C are bad payers and the provision is at 50%

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Property, plant and equipment (continued)

Item	Average useful life
Infrastructure	
• Roads and paving	30
• Stormwater Drainage	20
Community	
• Buildings	30
• Recreational facilities	20-30
• Community Halls	30
• Parks and Gardens	30
• Libraries	30
Equipment and furniture	
• Office Equipment	4
• Furniture and fittings	7-10
• Bins and containers	5
• Specialised plant and equipment	10-15
Other property, plant and equipment	
• Buildings	30
• Specialised vehicles	10
• Other vehicles	5
Other	
• Emergency equipment	15
• Computer equipment	7
• Landfill Sites	15

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Accounting Policies

1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up

Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Performance.

The annual amortisation rates are based on the following estimated average asset lives.

Item	Useful life
Computer software, other	5 years

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Accounting Policies

1.7 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.7 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.10 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- >the amount that would be recognised as a provision; and
- >the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

1.11 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.12 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised. Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has one type of fines: namely traffic fines. There is certainty regarding the probability of the flow of economic benefits or service potential in respect of fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest rate method.

1.14 Retirement Benefits

Post Retirement

The municipality provides retirement benefits for its Employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.20 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar. The budget covers the period from 1 July 2015 to 30 June 2016.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.22 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

2. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10 404 853	-	10 404 853	10 404 853	-	10 404 853
Buildings	7 902 206	(4 051 202)	3 851 004	7 385 974	(3 812 289)	3 573 685
Leased office equipment	1 174 322	(992 425)	181 897	1 174 323	(734 111)	440 212
Leased motor vehicles	6 794 803	(2 548 197)	4 246 606	5 973 059	(1 216 703)	4 756 356
Infrastructure	50 893 237	(13 099 241)	37 793 996	29 880 140	(11 433 331)	18 446 809
Community	71 288 073	(18 038 608)	53 249 465	62 052 394	(15 701 136)	46 351 258
Other property, plant and equipment	9 288 957	(7 486 423)	1 802 534	8 533 433	(7 017 888)	1 515 545
Work in progress	72 418 439	-	72 418 439	55 468 424	-	55 468 424
Total	230 164 890	(46 216 096)	183 948 794	180 872 600	(39 915 458)	140 957 142

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	10 404 853	-	-	-	-	10 404 853
Buildings	3 573 685	516 232	-	(238 911)	-	3 851 006
Leased office equipment	440 213	-	-	(258 314)	-	181 899
Leased motor vehicles	4 756 356	821 744	-	(1 331 494)	-	4 246 606
Infrastructure	18 446 809	-	21 013 096	(1 665 909)	-	37 793 996
Community	46 351 258	-	9 235 680	(2 337 471)	-	53 249 467
Other property, plant and equipment	1 515 544	755 523	-	(459 066)	(9 469)	1 802 532
Work in progress	55 468 424	47 198 791	(30 248 776)	-	-	72 418 439
	140 957 142	49 292 290	-	(6 291 165)	(9 469)	183 948 798

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	10 404 853	-	-	-	-	-	10 404 853
Buildings	3 811 182	-	-	-	(237 497)	-	3 573 685
Leased office equipment	675 077	-	-	-	(234 864)	-	440 213
Leased motor vehicles	1 884 324	3 755 883	-	-	(883 851)	-	4 756 356
Infrastructure	14 501 219	-	-	4 794 904	(849 314)	-	18 446 809
Community	34 827 945	-	-	13 281 125	(1 757 812)	-	46 351 258
Other property, plant and equipment	1 982 683	370 040	(200 982)	-	(596 012)	(40 185)	1 515 544
Work in progress	27 457 555	46 086 898	-	(18 076 029)	-	-	55 468 424
	95 544 838	50 212 821	(200 982)	-	(4 559 350)	(40 185)	140 957 142

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

3. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	162 978	(151 401)	11 577	162 978	(118 808)	44 170

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software, other	44 172	(32 595)	11 577

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	76 767	(32 595)	44 172

4. Receivables from Non-Exchange Transactions

Trade debtors	12 198 805	9 522 137
Provision for Doubtful debts	(1 396 213)	(1 319 464)
	10 802 592	8 202 673

Reconciliation of provision for doubtful debts of trade and other receivables

Opening balance	1 891 403	1 854 236
Provision for impairment	80 288	37 167
	1 971 691	1 891 403

5. Summary of Receivables

Gross balances		
Rates	12 198 805	9 522 137
Less: Allowance for impairment		
Rates	(1 396 213)	(1 319 464)
Net balance		
Rates	10 802 592	8 202 673
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	12 198 805	9 522 137
Gross balance	12 198 805	9 522 137

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
5. Summary of Receivables (continued)		
Rates		
Current (0 -30 days)	521 419	606 874
31 - 60 days	339 503	483 652
61 - 90 days	218 314	431 870
91 - 120 days	308 529	297 890
121 - 365 days	10 811 040	7 701 851
	12 198 805	9 522 137
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	92 767	184 961
31 - 60 days	70 873	123 518
61 - 90 days	41 909	84 226
91 - 120 days	56 529	74 886
121 - 365 days	1 839 497	1 963 496
	2 101 575	2 431 087
Less: Allowance for impairment	(716 575)	(887 827)
	1 385 000	1 543 260
Industrial/ commercial		
Current (0 -30 days)	225 763	222 227
31 - 60 days	68 132	173 173
61 - 90 days	44 692	165 752
91 - 120 days	53 947	43 389
121 - 365 days	1 798 660	904 336
	2 191 194	1 508 877
Less: Allowance for impairment	(679 638)	(431 637)
	1 511 556	1 077 240
National and provincial government		
Current (0 -30 days)	202 889	199 686
31 - 60 days	200 499	186 961
61 - 90 days	131 711	181 891
91 - 120 days	198 054	179 615
121 - 365 days	7 172 882	4 834 019
	7 906 035	5 582 172
Total		
Current (0 -30 days)	521 419	606 874
31 - 60 days	339 503	483 652
61 - 90 days	218 314	431 870
91 - 120 days	308 529	297 890
121 - 365 days	10 811 040	7 701 851
	12 198 805	9 522 137
Less: Allowance for impairment	(1 396 213)	(1 319 464)
	10 802 592	8 202 673

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
6. Receivables from non-exchange transactions		
Sundry Debtors	596 907	605 000
Traffic fines	3 740 750	9 554 513
Allowance for impairment	(4 257 078)	(10 067 302)
	80 579	92 211

7. VAT receivable

VAT	3 099 196	3 956 920
-----	-----------	-----------

VAT output is payable on the receipts basis and VAT input is paid over to SARS only once the payment is made to the supplier.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash and Bank	202 483	3 159 025
Traffic Fines Account and Grant Cash Accounts	8 121	29 423
	210 604	3 188 448

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA BANK -Account Type- Cheque-40-5385-7155	200 983	3 160 220	134 126	202 483	3 159 025	131 429
ABSA BANK -Account Type- Traffic 40-7854-4599	167	12 394	14 090	167	12 384	14 090
ABSA BANK - Account Type - INEG-92-8652-5057	1 920	1 815	1 178	1 920	1 815	1 178
ABSA BANK - Account Type - MIG-92-8651-3913	1 509	1 427	1 357	1 509	1 427	1 357
ABSA BANK - Account Type - EPWP-92-8651-3769	1 077	1 964	2 819	1 077	1 964	2 819
ABSA BANK - Account Type - FMG-92-8652-5340	1 211	1 146	1 151	1 211	1 146	1 151
ABSA BANK - Account Type - MSIG-92-8651-3028	1 367	1 292	1 449	1 367	1 292	1 449
ABSA BANK - Account Type - Call Account - 91-0739-9765	-	-	2 431	-	-	2 431
ABSA BANK -Account Type- Traffic 40-6506-2322	870	9 385	-	870	9 385	-
Total	209 104	3 189 643	158 601	210 604	3 188 438	155 904

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
9. Employee benefit obligations		
10. Finance lease obligation		
Minimum lease payments due		
- within one year	1 612 532	2 092 152
- in second to fifth year inclusive	3 390 880	3 905 017
	5 003 412	5 997 169
less: future finance charges	(745 047)	(933 958)
Present value of minimum lease payments	4 258 365	5 063 211
Present value of minimum lease payments due		
- within one year	1 278 980	1 702 219
- in second to fifth year inclusive	2 979 385	3 360 992
	4 258 365	5 063 211
Non-current liabilities	2 979 385	3 360 992
Current liabilities	1 278 980	1 702 219
	4 258 365	5 063 211

It is municipality policy to lease certain equipment and motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2015: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. .

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	835 385
Spatial Development Framework Funding	600 000	600 000
Housing Grant	1 431 956	1 766 956
Library Grant	-	137 186
Beach Access Upgrade	301 611	495 644
Intergrated Development Plan Grant	-	112 018
Development Planning and Shared Services	172 498	172 498
Small Town Rehabilitation	3 001 226	30 000
Schemes support programme	57 000	615 600
	5 564 291	4 765 287

Movement during the year

Balance at the beginning of the year	4 765 287	9 934 870
Additions during the year	142 399 997	117 422 003
Income recognition during the year	(141 600 993)	(122 591 586)
	5 564 291	4 765 287

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

11. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

12. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Reversed during the year	Total
Leave Accrual	1 191 509	(4 541)	1 186 968

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Leave Accrual	1 000 090	191 419	1 191 509

13. Payables from exchange transactions

Trade payables	14 388 484	11 989 387
Other creditors	1 462 560	706 113
Leave Accrual	1 186 968	1 191 509
Retentions	8 125 673	5 042 584
	25 163 685	18 929 593

Other creditors balance is made out of :

Payroll Creditors	1 075 018	416 932
Sundry Creditors	239 253	124 425
Payment Received in Advance	148 289	164 756
	1 462 560	706 113

The fair value of trade and other payables approximates their carrying amounts.

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
14. Property rates		
Rates received		
Property rates	10 970 780	10 399 564
Less: Income forgone	(4 113 305)	(3 909 164)
	6 857 475	6 490 400

Valuations

Residential	193 868 000	193 868 000
Commercial	95 165 000	95 165 000
State	141 833 000	141 833 000
Municipal (Ngonyama Trust)	42 250 000	42 250 000
Agriculture	588 256 000	588 256 000
Public Benefit Organisations	122 209 000	122 209 000
Public Service Infrastructure	7 213 000	7 213 000
	1 190 794 000	1 190 794 000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.03611 is applied to property valuations to determine assessment rates. Rebates of 50% are granted to residential and state property owners.

15. Service charges

Refuse removal	312 222	278 715
----------------	---------	---------

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
16. Government grants and subsidies		
Operating grants		
Equitable share	93 949 000	67 324 724
Housing Grant	335 000	-
Sports and Recreation Grant	-	247 528
Municipal Systems Intergrated Grant	930 000	934 000
Integrated Development Plan Grant	112 018	-
Beach Access Upgrade Grant	194 033	323 689
Small Town Rehabilitation Grant	28 774	240 000
Library Grant	860 186	559 710
Financial Management Grant	1 800 000	1 800 000
Expanded Public Works Program Grant	1 000 000	1 455 000
Intergrated National Electrification Grant	9 000 000	5 113 096
Operational support for Thusong	1 460 997	6 539 003
Schemes Support Programme	558 600	239 400
Spatial Development Framework Funding (SDF Funding)	-	198 821
	110 228 608	84 974 971
Capital grants		
Municipal Infrastructure Grant	31 372 385	37 616 615
	31 372 385	37 616 615
	141 600 993	122 591 586

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 325 763- : which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	835 385	6 198 724
Current-year receipts	30 537 000	38 452 000
Conditions met - transferred to revenue	(31 372 385)	(37 616 615)
Other	-	(6 198 724)
	-	835 385

This grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and for financial reporting purposes the asset recognition criteria is met. The revenue recognised met the conditions of the grant.

Financial Management Grant

Current-year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 800 000)	(1 800 000)
	-	-

The grant was used to promote and support reforms in financial management through financial management internship and reforms programmes. The revenue recognised met the conditions of the grant..

Spatial Development Framework (SDF Funding)

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
16. Government grants and subsidies (continued)		
Balance unspent at beginning of year	600 000	-
Current-year receipts	-	600 000
	600 000	600 000

Housing Grant

Balance unspent at beginning of year	1 766 956	1 766 956
Conditions met - transferred to revenue	(335 000)	-
	1 431 956	1 766 956

This grant is unconditional and was used for human settlement operational expenses within the municipality (see note 11).

Library Grant

Balance unspent at beginning of year	137 186	35 896
Current-year receipts	723 000	661 000
Conditions met - transferred to revenue	(860 186)	(559 710)
	-	137 186

Conditions still to be met - remain liabilities (see note 11).

Beach Access Upgrade

Balance unspent at beginning of year	495 644	-
Current-year receipts	-	819 333
Conditions met - transferred to revenue	(194 033)	(323 689)
	301 611	495 644

Conditions still to be met - remain liabilities (see note 11).

Integrated Development Planning Grant

Balance unspent at beginning of year	112 018	112 018
Conditions met - transferred to revenue	(112 018)	-
	-	112 018

Conditions still to be met - remain liabilities (see note 11).

Development Planning and Shared Services

Balance unspent at beginning of year	172 498	371 319
Conditions met - transferred to revenue	-	(198 821)
	172 498	172 498

Conditions still to be met - remain liabilities (see note 11).

Small Town Rehabilitation Grant

Balance unspent at beginning of year	30 000	270 000
Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(28 774)	(240 000)

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
16. Government grants and subsidies (continued)	3 001 226	30 000
Conditions still to be met - remain liabilities (see note 11).		
Integrated National Electrification Grant		
Balance unspent at beginning of year	-	113 096
Current-year receipts	9 000 000	5 000 000
Conditions met - transferred to revenue	(9 000 000)	(5 113 096)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
The grant was used to address the electrification backlogs of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve the quality of supply. The revenue recognised met the conditions of the grant.		
Municipal Systems Improvement Grant		
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
The grant was used for the implementation of revenue enhancement strategy, strengthening administrative systems for effective implementation of ward participation system, financial systems support and improving municipal audit outcome. The revenue recognised met the conditions of the grant..		
Expanded Public Works Program Grant		
Current-year receipts	1 000 000	1 455 000
Conditions met - transferred to revenue	(1 000 000)	(1 455 000)
	-	-
The grant was used to expand employment creation efforts as a national priority through the use of labour intensive delivery methods within the municipality. The conditions of the grant were met. (see note 11).		
Operational Support Grant-Thusong Center		
Current-year receipts	1 460 997	4 000 000
Conditions met - transferred to revenue	(1 460 997)	2 539 003
Other	-	(6 539 003)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
Schemes Support Programs Grants		
Balance unspent at beginning of year	615 600	-
Current-year receipts	-	855 000
Conditions met - transferred to revenue	(558 600)	(239 400)

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
16. Government grants and subsidies (continued)	57 000	615 600

Conditions still to be met - remain liabilities (see note 11).

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
17. General expenses		
Audit Committee	116 658	93 641
Advertising	50 699	284 574
Auditors remuneration	1 549 041	1 278 158
Bank charges	167 932	91 278
Cleaning	49 446	58 795
Poverty Alleviation	1 135 711	1 458 555
Internal Audit Fees	2 098 773	2 074 361
Consulting and professional fees	11 449 843	8 566 108
Consumables	43 166	22 265
Publicity	4 550 894	4 098 361
Donations	165 035	149 065
Entertainment	1 759 940	869 694
Mayoral Projects	3 250 201	1 557 037
Stationery	34 514	20 568
Insurance	303 139	261 614
Community development and training	1 158 979	1 329 352
Conferences and seminars	22 655	150 792
Street Lighting	69 173	306 000
Legal Fees	50 342	156 174
Vehicles expenses	95 192	220 508
Lease Rentals	529 228	508 651
Traffic managers services	476 302	852 571
Medical expenses	21 565	4 702
Sampling Testing	-	107 552
Fuel and oil	1 682 127	1 257 554
Tools	171 054	192 493
Postage and courier	12 244	11 057
Printing and stationery	532 158	656 438
Protective clothing	137 644	143 944
Royalties and license fees	318 652	147 832
Refreshments	619 379	531 057
Staff welfare	327 679	95 240
Subscriptions and membership fees	23 784	1 084 236
Telephone and fax	1 295 766	1 054 387
Training	267 114	114 437
Travel - local	5 525 476	2 793 063
Refuse	2 680 633	-
Land usage management systems	-	820 526
Electricity	2 539 674	2 352 376
Sewerage and waste disposal	-	447 163
Uniforms	66 978	178 333
Archiving	-	366 169
Community Services	4 859 464	2 980 300
Relocation expenses	-	2 123
Noise Pollutions and Disaster Funds	1 077 133	317 804
HIV Awareness	172 276	17 416
Development planning	-	198 821
LED Expenses	265 688	108 308
Grants and Donations	2 590 177	817 828
Burials	6 000	21 005
Sundries	328 696	28 825
Civic Building Regulation	-	150 000
	54 648 224	41 409 111

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
18. Employee related costs		
Basic	18 499 276	15 122 765
Bonus	951 110	801 007
Medical aid - company contributions	1 349 054	1 141 307
SDL	306 967	269 475
Pension Contributions	2 129 305	1 839 497
Leave pay provision charge	(4 541)	191 419
Overtime payments	1 277 971	1 064 920
Night allowances	172 390	152 295
Travel Allowances	1 693 077	2 120 000
Housing benefits and allowances	133 350	38 520
Funeral Scheme	74 064	67 104
Group Life insurance	558 874	520 687
Unemployment Insurance	155 813	130 032
Bargaining Council	10 201	7 980
	27 306 911	23 467 008

Remuneration of Municipal Manager

Annual Remuneration	848 209	805 660
Car Allowance	385 351	363 540
Contributions to UIF, Medical and Pension Funds	50 945	56 578
	1 284 505	1 225 778

Remuneration of Chief Finance Officer

Annual Remuneration	664 315	607 115
Car Allowance	307 930	300 000
Contributions to UIF, Medical and Pension Funds	21 546	34 243
Other	23 077	36 952
	1 016 868	978 310

Remuneration of Corporate Services Director

Annual Remuneration	48 389	582 144
Car Allowance	21 892	262 704
Contributions to UIF, Medical and Pension Funds	2 692	41 095
	72 973	885 943

The Corporate Services director resigned on 31 July 2015.

Remuneration of Technical Services Director

Annual Remuneration	129 452	102 162
Car Allowance	45 867	43 784
Contributions to UIF, Medical and Pension Funds	8 149	2 069
	183 468	148 015

The Technical Services Director was appointed on 01 May 2016

Remuneration of Community Services Director

Annual Remuneration	619 614	566 767
Car Allowance	278 466	262 704
Contributions to UIF, Medical and Pension Funds	30 139	56 630

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
18. Employee related costs (continued)		
	928 219	886 101
PAYE, UIF & SDL		
Opening Balance	416 932	390 861
Council Subscription	5 589 960	5 059 159
Amount Paid -current	(5 520 983)	(5 450 020)
	485 909	416 932
Pension and Medical Aid		
Opening Balance	-	151 387
Council Subscription	3 478 359	2 981 258
Amount Paid -current	(2 931 076)	(3 132 645)
	547 283	-
19. Remuneration of councillors		
Cellphone Allowances	633 540	734 040
Councillors allowances	5 340 817	5 211 185
Travel Allowances	2 356 539	1 974 698
Data Allowance	108 000	-
	8 438 896	7 919 923
20. Debt impairment		
Contributions to debt impairment provision - fines	3 681 600	9 458 197
Contributions to debt impairment provision - trade debtors	80 288	37 166
	3 761 888	9 495 363
21. Interest Received		
Interest revenue		
Interest earned-Banks	-	111 119
Interest earned-outstanding receivables	703 609	932 705
Interest earned on investments	1 158 622	515 746
	1 862 231	1 559 570
22. Depreciation and amortisation		
Property, plant and equipment	6 291 167	4 559 350
Intangible Assets	32 595	32 595
	6 323 762	4 591 945
23. Impairment of assets		
Impairments		
Property, plant and equipment	9 469	40 185

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
24. Finance costs		
Finance leases	312 159	299 633
Other interest paid on bank accounts	20 302	9 970
	332 461	309 603
25. Auditors' remuneration		
Current year Audit Fees	1 549 041	1 278 158
Current year fees paid	(1 549 041)	(1 278 158)
	-	-
26. Contracted services		
Sanitation	1 180 422	122 325
Valuation	329 365	738 498
Cleaning Services	651 113	500 403
Security	1 281 672	816 927
	3 442 572	2 178 153
27. Repairs and Maintenance		
Buildings	3 397 615	450 617
Motor Vehicles	1 038 420	739 743
	4 436 035	1 190 360
28. Cash generated from operations		
Surplus	35 483 528	46 087 622
Adjustments for:		
Depreciation and amortisation	6 323 762	4 591 945
Loss on sale of Assets	-	56 245
Finance costs - Finance leases	312 159	299 633
Impairment deficit	9 469	40 185
Movements in provisions	(4 541)	191 419
Other non-cash items	62 706	43 802
Changes in working capital:		
Receivables from Non-Exchange Transactions	(2 676 668)	(1 763 874)
Other receivables from non-exchange transactions	9 952	(6 634)
Payables from exchange transactions	6 234 092	8 328 624
VAT	877 987	(1 792 520)
Unspent conditional grants and receipts	799 004	(5 169 583)
	47 431 450	50 906 864

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
29. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Community	6 845 148	8 520 421
• Infrastructure	2 892 798	18 390 174
	9 737 946	26 910 595
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	24 049 000	33 382 000

The funding if commitments will mainly be obtained from Grants.

30. Risk management

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

31. Events after the reporting date

There are no post balance sheet events that has occurred in the current year under review.

32. Unauthorised expenditure

Opening Balance	43 864 067	22 410 319
Current Year	18 522 617	21 453 748
Unauthorised expenditure awaiting condonement	62 386 684	43 864 067

33. Fruitless and wasteful expenditure

Opening Balance	1 052 074	1 052 074
-----------------	-----------	-----------

34. Irregular expenditure

Opening balance	67 861 549	44 156 224
Add: Irregular Expenditure - current year	2 285 620	23 705 325
Irregular expenditure awaiting condonement	70 147 169	67 861 549

uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
35. Additional disclosure in terms of Municipal Finance Management Act		
Councillors' arrear consumer accounts		
The are no Councillors who had arrear accounts outstanding for more than 90 days at 30 June 2016:		
Supply chain management regulations		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.		
Current year deviations for 36		
Emergency Quotations	2 617 976	-

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Acquisitions Rand	Correction of prior year error Rand	Closing Balance Rand	Opening Balance Rand	Acquisitions Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	10 404 853	-	-	-	-	-	10 404 853	-	-	-	-	-	(4 051 200)	10 404 853
Buildings	7 385 974	516 232	-	-	-	-	7 902 206	(3 812 289)	-	-	(238 911)	-	(4 051 200)	3 851 006
	17 790 827	516 232	-	-	-	-	18 307 059	(3 812 289)	-	-	(238 911)	-	(4 051 200)	14 255 859
Infrastructure														
Bus Terminals	2 989 926	-	-	5 751 668	-	-	8 741 594	(417 746)	-	-	(270 371)	-	(688 117)	8 053 477
Lightning	701 118	-	-	-	-	-	701 118	(128 285)	-	-	(23 371)	-	(151 556)	549 462
Pavements	48 417	-	-	-	-	-	48 417	(19 367)	-	-	(1 613)	-	(20 980)	27 437
Road Signs	10 800	-	-	-	-	-	10 800	(5 480)	-	-	(380)	-	(6 840)	3 960
Roads	25 924 634	-	-	15 261 428	-	-	41 186 062	(10 728 043)	-	-	(1 359 932)	-	(12 087 976)	29 098 087
Storm water Drainage	205 246	-	-	-	-	-	205 246	(133 409)	-	-	(10 263)	-	(143 672)	61 574
	29 880 141	-	-	21 013 096	-	-	50 893 237	(11 433 330)	-	-	(1 665 910)	-	(13 099 240)	37 793 997
Community Assets														
Sportfields and Stadiums	9 728 337	-	-	-	-	-	9 728 337	(1 191 159)	-	-	(324 276)	-	(1 515 437)	8 212 900
Community Assets	52 324 057	-	-	9 235 680	-	-	61 559 737	(14 509 978)	-	-	(2 013 193)	-	(16 523 171)	45 036 566
	62 052 394	-	-	9 235 680	-	-	71 288 074	(15 701 137)	-	-	(2 337 471)	-	(18 038 608)	53 249 466

Analysis of property, plant and equipment as at 30 June 2016
Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Acquisitions Rand	Correction of prior year error Rand	Closing Balance Rand	Opening Balance Rand	Acquisitions Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Leased Assets														
Office Equipments	1 174 323	-	-	-	-	-	1 174 323	(734 111)	-	-	(258 314)	-	(992 425)	181 898
Vehicles	5 973 058	821 744	-	-	-	-	6 794 802	(1 216 702)	-	-	(1 331 494)	-	(2 548 196)	4 246 606
	7 147 381	821 744	-	-	-	-	7 969 125	(1 950 813)	-	-	(1 589 808)	-	(3 540 621)	4 428 504
Assets Under Construction														
Assets under Construction	55 468 424	47 198 791	-	(30 248 776)	-	-	72 418 439	-	-	-	-	-	-	72 418 439
	55 468 424	47 198 791	-	(30 248 776)	-	-	72 418 439	-	-	-	-	-	-	72 418 439
Other assets														
Equipment	2 148 397	259 818	-	-	-	-	2 408 215	(1 382 378)	-	-	(195 867)	-	(1 578 245)	829 970
Furniture & Fittings	1 909 627	495 703	-	-	-	-	2 405 330	(1 244 278)	-	-	(179 026)	(9 469)	(1 432 773)	972 557
Vehicles	631 298	-	-	-	-	-	631 298	(547 125)	-	-	(84 173)	-	(631 298)	-
	4 689 322	755 521	-	-	-	-	5 444 843	(3 173 781)	-	-	(459 066)	(9 469)	(3 642 316)	1 802 527

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2016 Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Acquisitions Rand	Correction of prior year error Rand	Closing Balance Rand	Opening Balance Rand	Acquisitions Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	17 790 827	516 232	-	-	-	-	18 307 059	(3 812 289)	-	-	(238 911)	-	(4 051 200)	14 255 859
Infrastructure	29 880 141	-	-	21 013 096	-	-	50 893 237	(11 433 330)	-	-	(1 665 910)	-	(13 099 240)	37 793 997
Community Assets	62 052 394	-	-	9 235 680	-	-	71 288 074	(15 701 137)	-	-	(2 337 471)	-	(18 038 608)	53 249 466
Leased Assets	7 147 381	821 744	-	-	-	-	7 969 125	(1 950 813)	-	-	(1 589 808)	-	(3 540 621)	4 428 504
Assets Under Construction	55 468 424	47 198 791	-	(30 248 776)	-	-	72 418 439	-	-	-	-	-	-	72 418 439
Other assets	4 689 322	755 521	-	-	-	-	5 444 843	(3 173 781)	-	-	(459 066)	(9 469)	(3 642 316)	1 802 527
177 028 489	49 292 288						226 320 777	(36 071 350)			(6 291 166)	(9 469)	(42 371 985)	183 948 792
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	162 978	-	-	-	-	-	162 978	(118 807)	-	-	(32 595)	-	(151 402)	11 576
162 978							162 978	(118 807)			(32 595)		(151 402)	11 576
Total														
Land and buildings	17 790 827	516 232	-	-	-	-	18 307 059	(3 812 289)	-	-	(238 911)	-	(4 051 200)	14 255 859
Infrastructure	29 880 141	-	-	21 013 096	-	-	50 893 237	(11 433 330)	-	-	(1 665 910)	-	(13 099 240)	37 793 997
Community Assets	62 052 394	-	-	9 235 680	-	-	71 288 074	(15 701 137)	-	-	(2 337 471)	-	(18 038 608)	53 249 466
Leased Assets	7 147 381	821 744	-	-	-	-	7 969 125	(1 950 813)	-	-	(1 589 808)	-	(3 540 621)	4 428 504
Assets Under Construction	55 468 424	47 198 791	-	(30 248 776)	-	-	72 418 439	-	-	-	-	-	-	72 418 439
Other assets	4 689 322	755 521	-	-	-	-	5 444 843	(3 173 781)	-	-	(459 066)	(9 469)	(3 642 316)	1 802 527
Intangible assets	162 978	-	-	-	-	-	162 978	(118 807)	-	-	(32 595)	-	(151 402)	11 576
177 191 467	49 292 288						226 483 755	(36 190 157)			(6 323 761)	(9 469)	(42 523 387)	183 960 368

Appendix B

Analysis of property, plant and equipment as at 30 June 2015 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Acquisitions Rand	Transfers Rand	Revaluations Rand	Restatements Rand	Closing Balance Rand	Opening Balance Rand	Restatements Rand	Acquisitions Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	10 404 853	-	-	-	-	-	10 404 853	-	-	-	-	-	-	10 404 853
Buildings	7 385 974	-	-	-	-	-	7 385 974	(3 574 792)	-	-	(237 497)	-	(3 812 289)	3 573 685
	17 790 827	-	-	-	-	-	17 790 827	(3 574 792)	-	-	(237 497)	-	(3 812 289)	13 978 538
Infrastructure														
Bus Terminals	1 600 727	-	-	-	-	-	1 600 727	(337 934)	-	-	(79 812)	-	(417 746)	1 182 981
Lighting	280 409	-	-	-	-	-	280 409	(106 105)	-	-	(22 160)	-	(128 265)	152 124
Pavements	48 417	-	-	-	-	-	48 417	(17 753)	-	-	(1 614)	-	(19 367)	29 050
Road Signs	10 800	-	-	-	-	-	10 800	(6 120)	-	-	(360)	-	(6 480)	4 320
Roads	22 939 637	-	-	4 794 905	-	-	27 734 542	(9 992 958)	-	-	(735 086)	-	(10 728 044)	17 006 498
Storm water Drainage	205 246	-	-	-	-	-	205 246	(123 147)	-	-	(10 262)	-	(133 409)	71 837
	25 085 236	-	-	4 794 905	-	-	29 880 141	(10 584 017)	-	-	(949 314)	-	(11 433 331)	18 446 810
Community Assets														
Community Assets	44 884 026	-	-	7 440 031	-	-	52 324 057	(12 924 045)	-	-	(1 585 933)	-	(14 509 978)	37 814 079
Sportsfields and stadium	3 887 243	-	-	5 841 094	-	-	9 728 337	(1 019 280)	-	-	(171 879)	-	(1 191 159)	8 537 178
	48 771 269	-	-	13 281 125	-	-	62 052 394	(13 943 325)	-	-	(1 757 812)	-	(15 701 137)	46 351 257

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2015 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Acquisitions Rand	Transfers Rand	Revaluations Rand	Restatements Rand	Closing Balance Rand	Opening Balance Rand	Restatements Rand	Acquisitions Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Leased assets														
Office Equipments	1 174 323	-	-	-	-	-	1 174 323	(499 247)	-	-	(234 864)	-	(734 111)	440 212
Vehicles	2 217 176	-	-	3 755 883	-	-	5 973 059	(332 852)	-	-	(983 850)	-	(1 216 702)	4 756 357
	3 391 499	-	-	3 755 883	-	-	7 147 382	(832 099)	-	-	(1 118 714)	-	(1 950 813)	5 196 569
Assets under Construction														
Assets under Constructions	27 457 556	41 044 314	-	(18 076 030)	-	-	50 425 840	-	-	-	-	-	-	50 425 840
	27 457 556	41 044 314	-	(18 076 030)	-	-	50 425 840	-	-	-	-	-	-	50 425 840
Other assets														
Equipment	1 821 759	326 638	-	-	-	-	2 148 397	(1 209 325)	-	-	(173 062)	-	(1 382 377)	766 020
Furniture and Fittings	2 497 524	43 401	-	-	-	-	2 540 925	(1 470 861)	-	-	(280 358)	(40 185)	(1 791 404)	749 521
Vehicles	4 281 028	-	-	-	-	-	4 281 028	(3 937 440)	-	-	(142 503)	-	(4 080 043)	200 985
	8 600 311	370 039	-	-	-	-	8 970 350	(6 617 626)	-	-	(596 013)	(40 185)	(7 253 824)	1 716 526

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2015 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Acquisitions Rand	Transfers Rand	Revaluations Rand	Restatements Rand	Closing Balance Rand	Operating Balance Rand	Restatements Rand	Acquisitions Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	17 790 827	-	-	-	-	-	17 790 827	(3 574 792)	-	-	(237 487)	-	(3 812 289)	13 978 538
Infrastructure	25 085 236	-	-	4 794 905	-	-	29 880 141	(10 584 017)	-	-	(649 314)	-	(11 433 331)	18 446 810
Community Assets	48 771 269	-	-	13 281 125	-	-	62 052 394	(13 943 325)	-	-	(1 757 812)	-	(15 701 137)	46 351 257
Leased assets	3 391 499	-	-	3 755 883	-	-	7 147 382	(832 099)	-	-	(1 118 714)	-	(1 950 813)	5 196 569
Assets under Construction	27 457 556	41 044 314	-	(18 076 030)	-	-	50 425 840	-	-	-	-	-	-	50 425 840
Other assets	8 600 311	370 039	-	-	-	-	8 970 350	(6 617 626)	-	-	(596 013)	(40 185)	(7 253 824)	1 716 526
	131 096 698	41 414 353	-	3 755 883	-	-	176 266 934	(35 551 859)	-	-	(4 559 350)	(40 185)	(40 151 394)	136 115 540
Intangible assets														
Computers - software & programming	162 978	-	-	-	-	-	162 978	(86 212)	-	-	(32 595)	-	(118 807)	44 171
	162 978	-	-	-	-	-	162 978	(86 212)	-	-	(32 595)	-	(118 807)	44 171
Total														
Land and buildings	17 790 827	-	-	-	-	-	17 790 827	(3 574 792)	-	-	(237 487)	-	(3 812 289)	13 978 538
Infrastructure	25 085 236	-	-	4 794 905	-	-	29 880 141	(10 584 017)	-	-	(649 314)	-	(11 433 331)	18 446 810
Community Assets	48 771 269	-	-	13 281 125	-	-	62 052 394	(13 943 325)	-	-	(1 757 812)	-	(15 701 137)	46 351 257
Leased assets	3 391 499	-	-	3 755 883	-	-	7 147 382	(832 099)	-	-	(1 118 714)	-	(1 950 813)	5 196 569
Assets under Construction	27 457 556	41 044 314	-	(18 076 030)	-	-	50 425 840	-	-	-	-	-	-	50 425 840
Other assets	8 600 311	370 039	-	-	-	-	8 970 350	(6 617 626)	-	-	(596 013)	(40 185)	(7 253 824)	1 716 526
Intangible assets	162 978	-	-	-	-	-	162 978	(86 212)	-	-	(32 595)	-	(118 807)	44 171
	131 269 676	41 414 353	-	3 755 883	-	-	176 429 912	(35 638 071)	-	-	(4 591 946)	(40 185)	(40 270 201)	136 159 711

Appendix D

June 2016

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	21 357 953	(21 357 953)	Executive & Council/Mayor and Council	1 011 148	28 842 529	(27 831 381)
131 824 157	36 807 619	95 016 538	Finance & Admin/Finance	106 643 362	42 396 145	64 247 217
10 621 643	7 468 461	3 153 182	Planning and Development/Economic Development/Plan	41 976 258	25 410 686	16 565 572
-	16 416 669	(16 416 669)	Corporate Services	5 237 988	8 511 168	(3 273 180)
1 226 946	15 313 177	(14 086 231)	Comm. & Social/Libraries and archives	880 389	15 434 852	(14 554 463)
143 672 746	97 363 879	46 308 867		155 749 145	120 595 380	35 153 765